

A BRIEF
of the
**TEACHERS'
RETIREMENT LAW**

of the
State of Montana

Including All
Amendments Through
1969



LUNDY CENTER
300-500 Euclid Ave.
Helena, Montana

The Teachers' Retirement Board

JESS W. WHITNEY.....July 1, 1970
Chairman

GEORGE H. HAYES.....July 1, 1971

JAMES E. BURKE.....July 1, 1972

PAUL D. CARUSO.....July 1, 1973

DOLORES COLBURG.....Ex-Officio
State Superintendent of Public Instruction

Under the terms of the 1953 legislature, the Retirement Board is made up of the State Superintendent of Public Instruction, two persons of the teaching profession and two persons representative of the public. They, in turn, employ the office staff which includes, among others, the following:

J. HUGH McKINNY.....Executive Secretary

THOMAS E. SCHNEIDER.....Assistant Executive Secretary

FLOYD E. YOUNG.....Actuary

Remember: Tax sheltered Annuities are available from the
Teachers' Retirement System.

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Foreword

The Montana Teachers' Retirement System was established by state law in 1937. Over the years improvements have been made and many beneficial changes were made by the 1967 legislature. All the new provisions are incorporated in this booklet.

The Montana Teachers' Retirement System is a joint contributory system, which provides that a teacher is required to contribute toward an annuity purchased with the deposits made which were deducted from salary earned. The districts contribute toward the pension which is based on salary and service. Should the teacher not complete the minimum requirements necessary for a benefit, a refund of the member's deposits is available. See paragraph on refunds.

OFFICE LOCATION

The Retirement System office is located in the center of the mall of the Lundy Shopping Center located at the corner of Euclid and Benton Avenues, Helena, Montana. After July 1, 1970 the system will be in its own office Building at 1500 6th Ave., the corner of 6th and Sanders.

Administration

Legal responsibility for the administration of the System lies with the Retirement Board whose names are listed on the inside cover page of this booklet. The Board usually meets in June, September, December and March. Because Board members have other occupations, they employ an administrative officer, an actuary, and clerical help to conduct the routine business of recording deposits in approximately 15,000 accounts and to pay benefits to over 2,400 retired teachers.



The Attorney General acts as legal advisor to the System and the State Treasurer is custodian of the invested funds.

Correspondence and payments should be sent to the Teachers' Retirement System, Lundy Center, Helena, Montana.

Membership

Membership in the Retirement System is compulsory no matter how long you believe you may continue in the profession. Excuse from membership can be applied only to a person who teaches less than six weeks during the absence of a regular teacher.

Membership applies to all persons employed as teachers, librarians, physical education directors, school nurses, principals, vice-principals, supervisors, superintendents, county superintendents of schools and any other member of the teaching or professional staff of any public school, elementary school, or high school in the State of Montana, and any member of the administrative, instructional, or scientific staff of the units of the University of Montana, also any person in the office of, or by, the State Superintendent of Instruction in duties pertaining to instructional services, and any member of the instructional staffs of various state custodial institutions.

The Retirement Board decides cases in doubt.

Exemption from Membership

At the time of passage of the original law in 1937 and its later amendments to admit the University group, one was permitted to choose membership or non-membership. In each case this period of option lasted only three months. Those exercising the option of non-membership are the only persons permitted exemption and their names are listed in the Retirement office.

Transfer of Membership

If you quit teaching and take a position covered by the Public Employees' Retirement System, you may transfer your retirement coverage from the Teachers' Retirement System to the Public Employees' Retirement System or vice-versa. Upon application to the System in which your account is maintained it will be transferred to the jurisdiction of the other Retirement Board. When the transfer is completed the receiving System accepts your record of service and deposits, and subsequent benefits will be governed by the new Board to which you contribute.

Payments

What Do You Pay?



Five per cent of your monthly salary is deducted by your employer and is sent to the Retirement office to be credited to your individual savings account. An additional dollar is deducted each fall to pay your annual membership fee.

From your accrued savings an annuity is purchased in your name.

What Your Employer Pays

Your employer pays an amount equal to $4\frac{1}{2}$ per cent of your salary to the Retirement System. All of this amount goes into the pension fund. The administrative expense is paid out of interest earnings.

Employer money is not identified as belonging to any person or any one person's benefit. It goes into the fund from which all pension payments are made. The only time the employer is excused from payment is when he employs an exempt teacher. The district is not excused from paying if the teacher member has completed 35 years of service and is over 60, although you, yourself, need not pay the 5 per cent. You may wish to do so, however, since continued payments mean larger purchasing power and resultant larger annuity, and only those salaries for which the full 5 per cent has been paid may be used for computing the retirement benefit.

Refunds

Persons believing they are leaving the education profession permanently, may request a refund of their deposits. Upon application to the Retirement System's office you will be notified of the amount available for refund. Do not write for refund application blank until service is actually terminated.

If your current account amounts to more than five years of service you may not wish to withdraw. (See paragraph on "Vested Right".)

Members, whose current account began prior to July 1, 1945, will receive as a refund of three-fourths of the accumulated interest together with their deposits. All others will receive a refund of deposits only. Refunds cannot be made between July 1st and July 20th of each year as at that time our records are being examined by the Legislative Audit Committee.

Interest on Accounts

Interest is credited each year on June 30. The interest is computed on your previous balance. The current rate is 5% per cent, compounded annually. The interest rate is not fixed by law but is set by the Board annually in direct relation to the interest earnings of the System. This interest remains in your account until you receive a retirement benefit and, of course, materially aids in the purchase of the annuity. For details on interest for refunds see the paragraph marked "Refunds".



Service Record

Membership Service (MS)

This consists of all service in Montana since 1937 for which payments have been made and which remain on deposit. It may also include a maximum of 5 years of out-of-state service, providing you deposit with the Retirement System 5 per cent of your first year's salary after 1937 in Montana and the same amount for each additional year to a maximum of five years. To be eligible to purchase out-of-state service you must have five years of Montana service. Teachers who were employed in Montana prior to July 1, 1967, may still purchase up to 10 years of out-of-state service provided they teach 10 years in Montana and do not withdraw after July 1, 1967.

Prior Service (PS)

This consists of all service prior to September 1, 1937, for which you may receive credits by the rules governing such credit plus any military service time during time of war.



For those who have not as yet had prior service already certified, the law provides that after the teacher has a record of five or more years of Montana service on which contributions of 5 per cent of his salary have been made, he may apply for and receive credit for that service in Montana

which occurred before September 1, 1937.

Creditable Service (CS)

This is the total of your prior service and membership service.

Military Service

This includes service in the Army, Air Force, Navy, Marines, Merchant Marine and Red Cross during World Wars I and II and the Korean conflict. Prior Service may be claimed for time in the military by sending a copy of your discharge to the Retirement System. This credit is granted without cost to you.

School Term

If you retire at the end of the school term, your retirement becomes effective July 1 even though your school may have let out in May. This is because the school term is considered to run from July 1 through June 30.

Substituting

You may be employed in the Public Schools of Montana on a substitute basis after receiving your retirement benefit. You may not, however, receive more than an amount equal to $\frac{1}{4}$ the average salary upon which your retirement benefit was based.

On any other employment there are no restrictions.

Re-Deposit

If you have previously had an account with the System (since 1937), and have withdrawn your money, you may re-deposit thereby reactivating your membership and prior service if you again enter the educational profession. Should you desire to do this, write to the Retirement office for form 49. After the form is filed with the System, you will be notified of the re-deposit amount required and the service that will be reactivated after completed payment. This payment may be made at your convenience either in lump sum or installments any time before you retire.

Vested Right

Should you leave the profession after having 5 or more years of creditable service in Montana you may elect, by leaving your deposits in the System, to receive a monthly retirement benefit. The benefit will be based on the service and deposits accumulated at the earliest retirement age (60).

If you leave the profession after having 5 years of service in Montana, your account will automatically be placed on a "Vested Right" basis.

If you have a "Vested Right", you should contact the System at age 60 and apply for your retirement allowance. The benefit can begin in the month you become 60, but cannot begin before the month the System receives your signed and dated application for retirement benefit. Each month you delay after reaching 60 will cause forfeiture of your monthly retirement benefit.

Average Salary

The "average salary" for retirement purposes is the average of any three consecutive years salary of Montana teaching which the teacher wishes to select. Quite naturally it is the three highest years possible as the higher the average salary, the higher the retirement benefit.

Tax Sheltered Annuities

The Internal Revenue law permits a school district to purchase annuities for its teachers where the tax on this portion of the teachers salary is not paid until the teacher receives a refund from the system of the annuity purchased or begins to receive the benefits of the annuity. The same actuarial tables are used by our system in calculating these annuity payments as we use in calculating the annuity payment of a regular retirement benefit.

"Thirteenth" Check

The retirement board is permitted to issue an additional check each year to its retired members representing the interest earned by the system over and above the actuarial assumption upon which the retirement benefit was calculated. The system uses a 3% return in its long term assumption and at present the active teachers are receiving 5% on their accounts so the board can pay the 2% difference to retired members on the present value of their own contributions to the system. This amounts to about 5 to 6% of their annual benefit at retirement.

Benefits

Refund



Paragraph on page 7 explains refunds. No refunds can be made of payments made prior to September 1, 1937.

Disability Benefit

Regardless of age before 60 you may apply for and receive a disability benefit under the following conditions:

1. You must be an active teacher and have completed at least 5 years of Montana service and apply for such benefit to the System.
2. You have been declared totally disabled by a doctor and that such a condition is likely to be permanent. The doctor's report is to be submitted on a form provided by the System.

The disability allowance is paid monthly for the rest of your life. The amount of the allowance depends on your "average salary" and the number of years of service. A disabled person retiring with 5 to 19 years (inclusive) service would receive 25 per cent of the average salary; for 25 years service, 32.14 per cent; 30 years, 38.57 per cent; and for 35 years would receive 45 per cent. Intervening years of service are paid proportionately.

On a disability retirement you may choose the same optional benefits as are available for a regular Service Retirement.

If the "straight life" disability plan is selected and the person retired for disability receives less than the amount he has contributed to his fund before his death, his beneficiary will receive the difference. Where a person subject to disability retirement was unable to make such application because of physical disability or mental incompetence, his payment may be dated back to the date of the disability after such application is made by someone acting on behalf of the member and proper evidence given that such a condition existed. Otherwise, such payment is dated 30 days from date of application.



Retirement Benefit

You must have a minimum of 5 years service after July 1, 1937, to be eligible for a retirement benefit. The maximum number of years allowable is 35 unless you have more than 35 years at age 60, then all the years of service up to age 60 are counted. This is because the benefit is not payable until age 60, the minimum retirement age. Compulsory retirement is age 70.



The combined pension and annuity constitute your retirement benefit.

Pension—paid by the System and based on creditable service and average salary as follows:

For prior service— $1/70$ of your average salary, (.01428) multiplied by the number of your prior service years.

For membership service— $1/140$ of your average salary, (.00714) multiplied by your membership service years.

For both prior and membership service, average salary is the average of the highest three consecutive years on which the full 5 per cent has been paid.

Annuity—The annuity is the actuarial equivalent of the member's accumulated contributions at the time of retirement. This means simply that larger deposits buy larger annuities as will greater interest earnings provide better retirements, and the age at retirement will determine the length of time the individual may have prospects of receiving the benefits. At age 60 a woman will receive annually \$67.90 for every \$1,000 on deposit, and a man will receive \$77.80 annually for every \$1,000. The male rate is higher because his life expectancy is shorter.

Retirement Examples

What will I get when I retire? Will I have enough money to live on? These are perfectly natural questions. Let's see!



Assume you are a woman teacher retiring at age 60. You have selected the highest salaries received in three consecutive years which average to \$7,000. You have had 5 years of prior service and 30 years of membership

for a total of 35 years. Using the formula for determining your pension as prescribed by law we arrive at these figures:

$$\begin{array}{rcl} 5 \text{ years prior service} \times 1/70 \text{ of } \$7,000 & = & \$ 500.00 \\ 30 \text{ years membership service} \times 1/140 & & \\ \text{of } \$7,000 & \text{-----} & = \$1,500.00 \\ & & \hline & & \$2,000.00 \text{ from pension} \\ & & \text{per year} \end{array}$$

Assuming you have accumulated \$7,000 in your annuity savings from contributions during the 30 years of membership service, your annual payment would be:

$$\$7,000 \times \$69.70 = \$487.90.$$

The Pension of \$2,000.00 plus Annuity of \$487.90 would give you an annual retirement allowance of \$2,487.90 or \$207.30 per month.

If you are a man in the same situation being 60 years of age with the same salary and the same total of deposits you would receive the same Pension of \$2,000.00. Your Annuity, however, would be larger, i.e. $\$7,000 \times \$77.80 = \$544.60$. Your total retirement allowance would be \$2,544.60 or \$212.05 per month.

This seems to be more, but the life expectancy of the man is not as great so he will likely receive the same total amount.

The examples above are on a straight life basis.

Your retirement benefit checks are mailed on the last business day of each month.

Optional Benefits

There are many ways in which you may select your retirement benefit. It is extremely important that a careful deliberation be made since once an option is selected it becomes permanent. An option selection is not made until the actual time you apply for disability benefit or retirement.

The options are:

OPTION 1. Straight Life. A monthly retirement benefit based on your record and age. The benefit goes only to you and it terminates at your death.

- OPTION 2. **Refund Annuity.** A smaller monthly retirement allowance payable to you until your death with the unused portion of the savings account refundable to your named beneficiary.
- OPTION 3. **Joint and Last Survivor.** A monthly retirement allowance payable to you and your beneficiary with the same amount being paid to the survivor as long as he or she should live.
- OPTION 4. **One-Half to Survivor.** This amount will be paid to you and your beneficiary as long as you both shall live. At the time of death of either the amount is reduced to one-half which will be paid to the survivor for life.
- OPTION 5. Any other plan you may suggest as long as it is the actuarial equivalent of the benefits you have earned. This could include variations of Option Number Four or plans which would allow you a definite allowance for a certain number of years such as:
- 10 year Certain and Life
 - 15 year Certain and Life or
 - 20 year Certain and Life

Under any of these plans payment will be made to you or, in the event of your death, to your beneficiary for the years certain. Payment to your beneficiary would cease at the end of the years certain. You, however, at the end of the years certain would continue to receive the same amount for life.

Social Security Coverage

The 1955 legislature made it possible for the teachers of Montana to have supplemental Social Security coverage; so that it is now possible for the teachers of Montana to have full coverage of both systems. This additional coverage was left to the choice of the individual school districts of the state. Not all districts nor all of the teachers were in favor of this additional coverage and at present 50 per cent of the school districts have adopted it. However, these districts, plus the University system, employ about 90 per cent of the teachers in Montana. For information regarding Social Security benefits please contact your local Social Security office.

Death Benefits

Prior to Retirement. If you should die prior to obtaining 5 years of Montana service your contributions plus interest will be refunded to your named beneficiary.



If you have a record of 5 or more years of Montana service at the time of death, your named beneficiary may elect to receive a refund of your deposits plus interest or may choose to receive a monthly income for life. The amount of monthly income is based upon the deceased member's service record, average salary, deposits and the beneficiary's age.

Members' Children. If you should die with a record of 5 or more years service and you have not been out of teaching for more than one year, the System will pay \$50.00 per month to each of your children under 18 years of age.

After Retirement: The method of payment you selected at the time of retirement determines what is paid when death occurs after retirement. If you choose the straight-life payment and did not live to receive at least four checks, then your beneficiary may receive a refund of the difference between what you received in retirement benefits and the amount paid into your savings account.

Protective Clauses

Annual Reports

Each fiscal year ends June 30. The recording of payments for the year ends on that date. During July of each year each member, with a current address, will be sent an account statement, showing each individual posting made during the year, the interest earned and the total number of years taught. The service listed at the top of the statement is the total service at the beginning of the school term. Also included on the record will be your age and your named beneficiary. In this way you will know if your account is in order at all times. Please remember that any payment received by us after June 30 will be included in the next year's totals.



A general statement of the funds as a whole is published in the MEA Journal and is available upon request at this office.

Safeguards

The books are audited each year by the Legislative Audit Committee. The law provides that your deposits are immune from legal actions (attachments or garnishments). It also provides that your funds are made the obligation of the state as a trust.

Questions and Answers

1. What is the compulsory retirement age? Age 70.
2. May I borrow on my account? No.
3. Where are the funds kept? The invested funds are in the State Treasurer's office.
4. In what is the money invested?

U. S. Government and its agencies.....	6%
FHA & VA Mortgage paper.....	44%
Corporate Bonds	50%
5. Is there any distinction between a substitute teacher and a contract teacher? No. Any person employed as a teacher in Montana for a period in excess of 30 days is required to belong to the Retirement System as a condition of his employment.
6. What is the purpose of the membership record? For your protection mostly, and secondly, to furnish statistical information on which the Actuary bases calculations of pension costs of future years. "Your protection" means that in case of your death before retirement, we are empowered to make an immediate payment to your named beneficiary instead of going through court proceedings. That is why it is important to have your record dated and properly witnessed. It also gives us a home address through which we can contact you to return the money if you discontinue teaching. Those accounts left for 7 or more years and having less than 5 years service recorded may be transferred to the Pension Fund, but at no time are the owner's rights for refund cancelled.

7. What became of the money in the Old Teacher's Pension Fund? It was used to pay a very small part of the monthly checks of those who were retired prior to September 1, 1937. The current employer-contributions pay the rest.
8. Is there any time limit on claiming prior service and out-of-state service? No, not since the 1953 laws were enacted.
9. May a former teacher claim rights without returning to the class room? No. She must be an active teacher in Montana to apply for re-deposit rights.
10. May out-of-state service be used in the "average final compensation?" No.
11. May a teacher who has at least 5 years creditable service, but who isn't old enough to receive a benefit as yet, teach in another state and not lose her Montana retirement allowance? Yes.
12. If a teacher reaches her 70th birthday in the middle of the year, does she have to quit at once? No. She can complete the school year in which she attains her 70th birthday.
13. May a teacher count Montana service before September 1, 1937, toward a "vested right"? No, she must have 5 years of membership service to be eligible to receive Pension service credit.
14. Does a beneficiary share in a member's retirement benefit? Yes, but only if the member has elected to receive some form of joint-life annuity at the time of retirement.
15. Are proportionate amounts paid as retirement benefits for those with more than 5 years or less than 35 years of service? Yes.
16. Are years in excess of 35 counted toward the pension? Only if those years are attained before age 60.
17. May I make added payments? Yes, a member may, if they wish, make added contributions over and above the usual 5 per cent. These will purchase a larger annuity. We will be happy to furnish information on Tax Sheltered Annuities.
18. What happens to my account if I should die before retirement? Your beneficiary can have a refund of the deposits or a monthly survivor income based on your record and the

beneficiary's age. If you have minor children, they are entitled to additional payments besides the survivor's benefit.

* 19. Is there a minimum retirement benefit? Yes, for those teachers who retired since 1949 and 35 years of service the amount is \$125 and for those with 30 years service retiring before 1949, the amount is also \$125 per month.

20. Can service during the Korean Conflict be considered Prior Service?

Yes. An Attorney General Opinion dated March 1963 states that the system may consider this service as Prior Service.

21. Can service during the Vietnam war be considered as Prior Service? Not at this time.

This section, though inadequate to cover such a subject completely, is being added to meet a growing need for such information. The eight points listed are a brief outline of things you should plan ahead to make your later years more enjoyable. These eight points were taken from the Senior Citizen Preretirement Manual of June, 1957.

1. **Visualize Your Situation.** Start planning your retirement now. You will spend roughly one-fourth of your life on retirement and how well you enjoy your later living will depend on your "inner resources."

2. **Study Your Finances.** Have a good idea of costs and the adequacy of your income. If you need additional income, consider employment you will be physically able to do. You can get ideas for jobs from your state employment agency.

3. **Consider Your Residence.** Do you wish to live in a different climate? Consider costs of different areas and also consider your ability to find new friends. Moving to a new area may involve giving up life-long friends.

4. **Review Your Health.** Have a complete physical, the best you can afford, then take a lesser physical at least twice a year. Don't take up interests or activities that are beyond your physical capacities.

5. **Determine to Be Useful.** Work regularly at one of many tasks that need doing in every community. In this way your life has more significance.

6. **Look at Your List of Friends.** Add new friends of various ages. Do not be isolated in your own age group.

7. **Plan for Your Continued Education.** These later years will afford a wonderful opportunity to discipline and enrich your mind. Most public schools and colleges offer adult education. courses. Take advantage of them.

8. **Cultivate Your Spiritual Life** in whatever way it appeals to you most, but cultivate it. In contacting retired Montana teachers each reply pointed out some church work in which they were involved and the satisfaction they received from their efforts.

Examining the above points more closely, you will note that they are designed not just for an existence for your years in retirement, but for a "living" and enjoying of those years. Proper planning can make these years the happiest of your lifetime.



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